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MT LEGISLATIVE HISTORY

Chapter 603 1987

Bill (H) 863 S_____ Original bill & hist. ___C

H. Committee on Business & Labor		S. Committee on Business & Industry	
Hearing Date(s) MAR 16	✓C	Hearing Date(s) MAR 31	✓C
MAR 19	✓C	APR 8	✓C
_____	___C	APR 9	✓C
_____	___C	_____	___C
Date Out MAR 19	✓C	APR 8	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

orm CS-32
ev. 1985

STATUS SHEET

50th LEGISLATIVE SESSION

BUSINESS AND LABOR COMMITTEE

HOUSE BILL NUMBER	ENTERED COM. DATE	DATE CONSIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CONCURRED IN DATE	BE NOT CONCURRED IN DATE	BE CONCURRED IN AMENDED DATE	BE NOT CONCURRE IN AS AMENDED DATE
861	3/5/87	3/16/87	tabled 3/26/87								
862	3/5/87	3/16/87	3/17/87	3/17/87							
863	3/5/87	3/16/87	3/19/87			3/19/87					
867	3/07/87	3/19/87	3/19/87			3/19/87					
869	3/07/87	3/19/87	tabled 3/20/87								
884	3/14/87	3/20/87									

'se a separate sheet for Senate Bills, House Bills, and Resolutions.

Ask responded that the fiscal note is their best guess of how many more people they would need.

Rep. Thomas asked what area of the market, commercial liability or commercial lines, was the goal of this bill to regulate. Senator Brown responded both.

CLOSING

Senator Brown stated this bill is the only bill that addresses insurance regulation. The problem in the law is that it says in order for the Insurance Commissioner to turn down a rate, the rate has to be excessive, inadequate and unfairly discriminatory, and those terms are not defined in the law. He said there is competition allowed within the band of rates; it is just when you go out of the band that the competition is not allowed.

HOUSE BILL No. 832 and HOUSE BILL No. 863 were heard simultaneously.

HOUSE BILL NO. 832 - Rep. Budd Gould, House District No. 61, Missoula, sponsored the bill. Rep. Gould stated this bill provides for revising video draw poker machine control law by reducing state and local license fees. He said the reason he feels there should be a percentage, is that in many areas in the state with a small percentage, they cannot afford a $1500 license fee above the cost of $4,000 for a machine.

HOUSE BILL NO. 863 - Rep. Norm Wallin, House District No. 78, Bozeman, sponsored the bill. Rep. Wallin submitted his written presentation and also amendments he was proposing. Exhibit Nos. 4 and 5.

PROPONENTS

John Poston, representing Montana Coin Machine Operators Association. Mr. Poston stated that House Bill No. 832 was introduced originally as an effort to eliminate machine gambling in the state. He said it is a gross proceeds tax but it does not in any way reflect the way the industry works.

Mr. Poston stated that House Bill No. 863, with the gross proceeds tax and without any consideration for the cost of doing business takes the net proceeds and apply the percentage to that. If House Bill No. 832 was passed, they would see more revenue from the poker machines because there would be more machines, as they would not have to pay the $1500 up front and could pay it on a quarterly basis.

Larry Lippen, DNR Music, Bozeman. Mr. Lippen stated that the numbers that are used across the state have been generated by the Department of Revenue and their accurate figures are that each machine net on the average $16,000 a year. He said this is a deceptive number, because in reality that is a gross net figure. He gave a scenario of a typical machine that would be taking the Department of Revenue's figure of $16,000 annually and Rep. Wallin's figures and license fees and breaking them down in sums of money for poker and for keno.

Donald W. Larson, representing Montana Tavern Association, stated he supported House Bill No. 832 as it was introduced. Mr. Larson submitted written testimony. Exhibit No. 6.

Lynn Seelye, Sailboat Lounge, Great Falls, stated he was a proponent for HB 832 and an opponent for HB 863. He submitted written testimony. Exhibit No. 7.

OPPONENTS

Alec Hansen, Montana League of Cities and Towns, stated they were opposed to both of these bills. He said that under HB 863, there would be a loss of $130 per machine to the cities, and they would have to consider the market consequences of the combination of taxes and license fees, and what effect they would have on the distribution of poker machines. He said with House Bill No. 832 the cities would lose about $3.8 million of potential tax revenue, and they can't stand to lose that amount.

Robert A. Ellerd stated he was supporting House Bill No. 863 and opposing House Bill No. 832.

Chairman Kitselman stated he is referring both bills to a subcommittee composed of Reps. Brandewie, Swysgood, and Pavlovich, with Rep. Brandewie as chairman.

QUESTIONS

Rep. Driscoll asked Rep. Wallin to explain the figures of $84 million net from video poker, and $39 million for last year that were listed in his presentation. Rep. Wallin responded that was for the two years.

Rep. Cohen asked Tod Hudek to give his statement.

Tod Hudek, representing the Associated Students of Montana State University, and the Associated Students of the University of Montana. Mr. Hudek stated they support HB 863 which is a bright spot for the University System, and urges the

Committee to keep this option open for revenue raising for the University System.

CLOSING (HOUSE BILL NO. 863)

Rep. Wallin stated there are two basic objections brought up for his bill, one was that the money was going to the University System. He said he didn't feel that was so unusual. He commented that the other main objection was the percentage, the 25% of the 75%. He said it was only right that the state and local governments receive 25% of that revenue, leaving 75% for the taverns.

HOUSE BILL NO. 861 - Rep. Dennis Nathe, House District No. 19, Redstone. Rep. Nathe reviewed the proposed amendments for the bill. He said the bill provides for disclosure of certain types of information on a private contract between a buyer and a seller, and in the instance of the proposed sale from Laurel through Missoula to Sandpoint, Idaho, about 966 track miles, and the magnitude of the sale is such that it is to the state's best interest to know the terms. He commented that the Railroad has no competition, and the state has to see that there is some competition left. He said any of the service provisions, providing service to the individual shippers on that section and on the branch lines, and car supply, needs to be protected. He added the state needs the information of that contract between buyer and the seller.

PROPONENTS

James T. Mular, representing the Brotherhood of Railway and Airline Clerks. Mr. Mular submitted written testimony. Exhibit No. 8.

Charles Collins, attorney, Gardiner. Mr. Collins stated right now the national transportation policy is in a complete state of flux. He said the challenge for the states is to keep a steady course and avoid a lot of harm while these experiments are going on, and at the same time, deal with the new federalism. He said the federal government is getting out of railroad regulation, and going from large interstate carriers to a number of small intrastate carriers. He commented that the second part of the bill addresses the transition period, keeping contracts in effect when you change from the old to the new. He said these changes cannot be stopped, but the state can ease the harm and prevent 750 Montanans from losing their jobs overnight and with this bill, customers and the people working on the lines can be protected at least for a while. He added the railroads that are making it are the ones that are organized,

DAILY ROLL CALL

BUSINESS & LABOR COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date MARCH 16, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN	✓		
REP. BOB BACHINI	✓		
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN			✓
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL	✓		
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE	✓		
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES	✓		
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH	✓		
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH	✓		
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

CS-30

EXHIBIT 4
DATE 3/16/87
HB 863

Rep. Williams

HB 863 is a bill under which units of government would receive a fair share of the net income from the play of Video Poker machines and Keno machines.

In the 1985 session, the legislature legalized the play of Video Poker for gambling purposes. Keno has been legal for a much longer period of time. Video Poker is licensed by the State of Montana. Keno machines are licensed only by local governments where the machines are located.

The State of Montana charges and collects a license fee of $1500 per machine for Video Poker. $1000 of this amount goes to the local government where the machine is located. $500 of the license fee is retained by the state. Before the distribution of those license fees, the State of Montana retains .5% for administration costs. So, in actuality, the split has been made on the basis of $1425 per machine. Local governments can also charge a local license fee of up to $1000 per machine in addition to the $1000 they receive from the state fee.

The bill I have for your consideration does some different things. It reduces the state license fee of $1500 down to $500. Of this fee, it retains 9% for administering the costs associated. The remainder will be sent to the local government where the machine is located. Because many places do not charge local license fees, this bill sets as a maximum $500 any local government can charge per machine. If we are going to have gambling in Montana, I think the

lower fee would encourage many taverns with little patronage to install machines. Local Government would be compensated for the loss of the $500 state license money by the amendment I am submitting with this bill. It gives 5% of the net revenue of each machine to local government. From the figures on the fiscal statement they would receive an average of $800 from each machine resulting in an increase of $300 per machine.

The bill further provides that 20% of the net from each machine would be appropriated to the Montana University system. The percentage system provides a fairer method of charging for the operation of the machines.

The fiscal statement gives no data on Keno machines because the State has not been involved in the licensing of Keno. HB 863 provides for a $100 license fee on Keno. It also provides the same split on the net proceeds of the machines -- 5% to local governments and 20% to the University system. $9 of the $100 license fee would be retained by the State of Montana for enforcing this act.

When the Video Poker machine bill was passed, we established very few rules for its operation. The law prohibits anyone under the age of 18 from a play. Only licensed taverns could have the machines. No other establishments are permitted so that taverns have become the sole beneficiaries of the law. This is entirely different in Nevada where service stations, small motels, grocery stores,

etc., as well as casinos have slot machines. Our present law authorizes the taverns to retain up to 20% of the money placed in the machines with a customer payback of 80%. That too, is generous as compared to New Jersey where casino type operations are legal. In New Jersey, the owners must pay back to the customer an average of at least 83%.

In doing some calculating with Montana's law, look at what happens on just 3 plays on a video poker machine. You play $1.00 and, on average, you get back 80 cents. Using that 80 cents on the second play, you lose another 16 cents so your dollar investment has shrunk to 64 cents. On the third play, using the remaining 64 cents, the 20% take loses you another 13 cents so in just three plays you are down to 51 cents. That's the way the law operates on average.

I invite you to look at the fiscal statement. The statement was prepared without this amendment so the total for the University System is the full 25% share instead of the amendment's share of 5% for local government and 20% for the university -- the same total of 25%. For the three quarters of 1988 remaining after the effective date of the bill, and the full year of 1989, there is projected a total of $84,100,500 net from video poker. Adoption of this bill would give the University System $16,820,100 and local governments an extra $4,205,025. The tavern owners would retain $63,075,373.

I realize I have taken quite a lot of time on this bill. It is an important bill. It can dramatically help the University System. Our colleges are hurting. You have heard a lot about MSU's School of Architecture, U of M's School of Pharmacy, etc. This money can help them. Besides that it gives more to local governments. By adding in the unknown income from Keno machines, this committee and this legislature, can be of great help in critical areas. And, there are many bucks left for the tavern owners -- three times what the University System and local government will receive.

I would like to present a close.

EXHIBIT 5
DATE 3/12/87
HB 863

Amend House Bill 863, Introduced Copy
Rep. Wallin

1. Title, line 9.
Following: "DISTRIBUTION"
Insert: "OF 80 PERCENT"
Following: "SYSTEM"
Insert: "AND THE BALANCE TO THE LICENSING CITY, TOWN, OR COUNTY"

2. Page 11, line 13.
Following: "contain"
Insert: "the name of the city, town, or county licensing the video poker machines and"

3. Page 11, line 15.
Following: "(4)"
Insert: "(a)"
Strike: "The"
Insert: "Eighty percent of the"

4. Page 11.
Following: line 20
Insert: "(b) The remaining 20% of the tax collected under (3) shall be remitted by the department to the licensing city, town, or county for deposit in its general fund."

3/12/87
XT01/wp/lee/amdhb863

EXHIBIT
DATE 3/12/91
HB 863

PROPOSED AMENDMENT TO
INTRODUCED (WHITE) COPY OF
HB 863
PRESENTED BY JACQUELINE N. TERRELL
ON BEHALF OF
BIG B BINGO, BILLINGS, MONTANA

1. Page 2, line 5
Following: "premises"
Insert: "or an establishment licensed under 23-5-421"

EXHIBIT
DATE 3/1/87
HB 863

WITNESS STATEMENT

NAME MATT THIEL BILL NO. 863

ADDRESS 676 N. DAVIS #103 DATE 3/16

WHOM DO YOU REPRESENT? Associated Students

SUPPORT X OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

ASUM supports HB 863

The Univ. System Need @

11 million per year ~~for~~ - above

The Governors Budget JUST to stay

at its CURRENT level. (including all cuts since HB500)

THIS Bill is one of the few

opportunities to Maintain a State

Service that Returns $5 for every

1 Spent.

EXHIBIT _____
DATE 3-10-21
HB 843

WITNESS STATEMENT

NAME Tom Hark BILL NO. HB 843

ADDRESS _____ DATE 3-10-21

WHOM DO YOU REPRESENT? Myself

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We support HB 843 as it is our belief system that is setting to do a thing worth doing we, must commit the energy. It may you to support the system as the will of nature. Let us be the guiding principle. Thank you

CS-34

WE, THE UNDERSIGNED, ARE OPPOSED TO HOUSE BILL #863 WHICH LIMITS THE PLAYING OF KENO AND POKER MACHINES TO ESTABLISHMENTS WHICH ALSO SELL LIQUOR. THE PASSAGE OF THIS BILL WOULD GIVE BARS A MONOPOLY ON KENO PLAYING.

WE PLAY KENO IN A BINGO PARLOR WHICH DOES NOT SERVE ALCHOLIC BEVERAGES, AND WHICH DOES NOT ALLOW PATRONAGE OF ANYONE UNDER 18 YEARS OF AGE. (THIS IS NOT THE CASE IN MANY BARS) WE WOULD NOT LIKE TO HAVE THAT PRIVILEGE TAKEN FROM US.

Name	Address
Larry Hamilton Sr.	PO Box 66 Pryor, Mt
Linda Hamilton	" " "
Lynn Burn	#3 Chestnut, Bkm, MT
Dan [illegible]	710 yellowstone Bkm, MT
Kathi [illegible]	9x16 Wayard
Kenneth D Ferguson	2230 Canyon St Bkm MT
Patsy Ferguson	331 S. River Fromberg MT
Mary Johnson	
Rita Williamson	744 Yellowstone - Bkm MT
Steve Williamson	" "
Katherine Round Face	Pryor Mt
Katie Costa	Pryor Mt
Robert Round Face	Lodge Pole
[illegible]	Absarokee Mt
[illegible]	Hardin
[illegible]	Garden
Eleanor E. Fuss	Boyd
[illegible]	[illegible]
[illegible]	Billings, MT
Barbara Wyatt	36 Flagg #3 Bkm
Skip Wyatt	36 Flagg #3 Bkm
[illegible]	533 Bluebird Lot 12
[illegible]	Edgar Mt
[illegible]	Joliet MT
[illegible]	Bridger MT

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Name	Address
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

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Name	Address
Arnold H Ly	206 2nd Ave Laurel
Betty J Lip	2062 2nd Ave Laurel.
Duane Lapsley	651 Sahara Dr
Josephine Jones	2405 7th Fourth Blg
Vicky Blench	1016 Poly Dr - Bldg D
Nancy Baxter	4014 Hardin Rd
Joseph Gerlach	3847 Kellers
Margaret S Gleason	715 S 25th St #511
Shirley Baxter	4014 Hardin Rd Bldg
Lorrie Lowenwell	208 S 34th Blgs
Diane Thiel	570 Casa Blgs
Mary Jo Zimmerman	4533 Mitchell Billings
Venus B. Bettey	716 8th St W Billings
Nora Lantt	Lantt 9- Billings
Wade Lantt	" " "

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Name	Address
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
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Name	Address
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
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[illegible]	[illegible]
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Name	Address
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

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Name	Address
Jean Lomax	507 Wallenwood
Beverly J Beaumont	363 Allison
[illegible]	1005 Lewis
[illegible]	50 Mundelein
[illegible]	[illegible]
[illegible]	612½ N. 25th
[illegible]	4193 Ryan Ave
[illegible]	[illegible]
[illegible]	645 Edgewood St. Belleville
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
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Name	Address
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

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Name	Address
Dean Little Light	Lame Deer MT.
Lame Bird Hof	" "
Andrew Little Light	" "
[illegible]	Lame Deer MT
Doreen D. Blankenagel	Browning mt.
Amy Merchant	Billings Mt.
[illegible]	Bzn. MT
[illegible]	Poplar MT.
[illegible]	Lame Deer MT.
[illegible]	Lame Deer, Mont.

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Name	Address
Marjorie Ann Myers	Ruby Mt 59011
Marcia Hamby	1365 Mont
Ruth Taylor	Bigg, MT
Susan Kane	Billings, MT
Tom Dunn	Billings, MT
Jim Cannon	Billings, Mont.
Doreen Farmer	3rd Blgs, MT
Tom Farmer	Billings MT

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Name	Address
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	3524 Foster Lane Billings
[illegible]	[illegible]
[illegible]	[illegible]
Bobbie Amos	619 N 17 Billings
[illegible]	Miss Montana Mont.
Ollie Mason	635 Valle Vista Billings
[illegible]	Laurel Mt.
[illegible]	Billings Mont
[illegible]	Billings MT

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Name	Address
Sandy Smith	PO Box 104 Lonsdale MT
Eric Kennedy	615 E 4th St Lewistown MT
Floyd Nash	Jamison Mem, Inc.
Gloria A. Wales	Box 265, Lame Deer, MT. 59043
Etta Lee	PO Box 1634 Cody Wyo 82414

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Name	Address
Helen McComb	825 Lee D-Apt. 210 Billings
Denise American Horse	P.O. Box 248 Lame Deer MT
Evelyn Curley	PO Box 109 Busby Mt. 59016
Veronica Bear	3117 Phillips Bill. MT.
	P.O. Box 172 Busby, MT.
	Box 179 Busby MT
	1/2 E 101 Lame
	5th E 6th Lame

WE, THE UNDERSIGNED, ARE OPPOSED TO HOUSE BILL #863 WHICH LIMITS THE PLAYING OF KENO AND POKER MACHINES TO ESTABLISHMENTS WHICH ALSO SELL LIQUOR. THE PASSAGE OF THIS BILL WOULD GIVE BARS A MONOPOLY ON KENO PLAYING.

WE PLAY KENO IN A BINGO PARLOR WHICH DOES NOT SERVE ALCHOLIC BEVERAGES, AND WHICH DOES NOT ALLOW PATRONAGE OF ANYONE UNDER 18 YEARS OF AGE. (THIS IS NOT THE CASE IN MANY BAR WE WOULD NOT LIKE TO HAVE THAT PRIVILEGE TAKEN FROM US.

Name	Address
Ethel Belgarde	515 2nd St West
Charlotte Somers	2020 Crowford Ln
Carol LaMere	516 4th St. West
Jan Cattell	768 Talbot Lane
Kathi Black	2115 Elliott Hgts
Sonia Black	204 Santa Fe Hgts
Harold Backgren	Laurel Mt. 59066
Elaine Pankow	Billings MT 59102
Archie McDonnell	Box 62 Roscoe MT 59071
Arnold Belgarde	Box 55 Lame Deer
Mable Ford	" " "
Frances McCrea	" " "
Mildred Johnson	2114 5th Ave North Billings
Caroline Johnson	3[illegible] Cove Court
Bud Johnson	3[illegible] 7th Ave. So.
Leonard Johnson	2501 Mullowney Lane Billings
Richard Hoag Jr.	1146 Pine Dr Billings
Mary Cattanach	710 Hallowell Billings
John R Cattanach	710 Hallowell Billings
[illegible]	710 Hallowell Billings
[illegible]	710 Hallowell Billings
Harold W. Ingraham	Rt 1 Box 2487 Laurel, Mont
Velma E. Ingraham	" " "

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Name	Address
Grady Bunts Arnold	Box #84 Pryor Mt
Linda Bellegarde	Box 23 Ashland MT

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Name	Address
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
50TH LEGISLATIVE SESSION

March 19, 1987

The meeting of the Business and Labor Committee was called to order by Chairman Les Kitselman on March 19, 1987 at 8:30 a.m. in Room 312-F of the State Capitol.

ROLL CALL: All members were present.

EXECUTIVE ACTION

ACTION ON HOUSE BILL NO. 832

Rep. Thomas moved that House Bill No. 832 BE TABLED. The motion carried 13 to 5.

ACTION ON HOUSE BILL NO. 863

Rep. Brandewie moved that House Bill No. 863 DO PASS.

Rep. Brandewie moved the amendments to include a grandfather clause for existing keno machines for a period of two (2) years. The motion carried unanimously.

Rep. Pavlovich moved to amend House Bill No. 863 to coordinate with House Bill No. 189. The motion carried with Rep. Thomas opposed.

Rep. Pavlovich moved to amend number two (2) from $500 to $100. The motion carried 10 to 8.

Rep. Cohen moved to amend the rate from 15% to 20%. The motion failed 10 to 8.

Rep. Brandewie moved that House Bill No. 863 DO NOT PASS. The motion failed with 14 to 4.

Rep. Pavlovich moved that House Bill No. 863 DO PASS AS AMENDED. The motion carried.

HOUSE BILL NO. 867 - Appropriation to Support Montana As Site For Super Collider Research Facility, sponsored by Rep. John Vincent, House District No. 80, Bozeman. Rep. Vincent stated this bill would appropriate funds to the Governor's office for establishment of the Super Collider Task Force, data collection, proposal preparation, and related physical improvements in support of Montana as the location for the superconducting super collider (SSC) research facility proposed by the U.S. Department of Energy. Rep. Vincent stated he would like to amend the bill and allocate $250,000 for the first phase instead of $100,000.

DAILY ROLL CALL

BUSINESS & LABOR COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date MARCH 19, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN	✓		
REP. BOB BACHINI	✓		
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN	✓		
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL	✓		
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE	✓		
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES	✓		
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH	✓		
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH	✓		
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

STANDING COMMITTEE REPORT

MARCH 19 19 87

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report HOUSE BILL NO. 363

☒ do pass ☐ be concurred in ☒ as amended
☐ do not pass ☐ be not concurred in ☐ statement of intent attached

REP. LES KITSELMAN Chairman

AMENDMENTS AS FOLLOWS:

1) Title, line 10
Following: "SECTIONS"
Insert: "17-7-502,"

2) Page 4, line 5
Following: "premises"
Insert: "or an establishment licensed under 23-5-421"

3) Page 5, line 5
Following: "one"
Strike: "bingo"
Insert: "keno"

4) Page 5, line 6
Following: "or"
Strike: "bingo"
Insert: "keno"

5) Page 5, line 11
Strike: "$500"
Insert: "$100"

6) Page 5, line 13
Strike: "93"
Insert: "$100"

7) Page 6, lines 18 through 19
Following: "expires" on line 18
Strike: The remainder of line 18 and lines 19 in its entirety and line 20 through "after"
Insert: "for all purposes no later than"

8) Page 7, line 15
Following: "two"
Strike: "numbered objects"
Insert: "numbers"

Rep. Pavlovich will sponsor

THIRD reading copy (BLUE color)

9) Page 7, line 11
Strike: "$500"
Insert: "$100"

10) Page 8, line 1
Strike: "it knows"

11) Page 8, line 3
Following: "machine"
Strike: "in the acceptance"
Following: "for"
Strike: "numbered objects"
Insert: "numbers"

12) Page 8, line 5
Following: line 4
Insert: "(c) each game must have a field of numbers from 1 to 75 or 1 to 90 for each game of keno or bingo that is played. There must be at least 8 numbers drawn in each game."
Renumber: subsequent subsections

13) Page 8, line 8
Following: "two"
Insert: "or more"

14) Page 8, line 10
Following: "the"
Strike: "other"
Insert: "others"

15) Page 9, line 16
Following: "quarters"
Strike: ";"
Insert: ". The machine may have a mechanism that accepts cash in the form of bills
(g) each quarter must represent one credit;
(h) the game must display the combinations for which free games or credits will be awarded and the number of free games or credits for each combination;"
Renumber: subsequent subsections

16) Page 9, line 13
Following: "(i)"
Insert: "total"
Following: "by"
Strike: "each"
Insert: "both"
Following: "coin"
Strike: "acceptor"
Insert: "acceptors"

17) Page 9, line 14
Following: line 13
Insert: "(ii) the machine may have a mechanism that accepts cash in the form of bills;"
Renumber: subsequent subsections

18) Page 9, line 22
Following: line 21
Insert: "(iii) if the machine has a bill acceptor, it must contain electronic metering using meters that record total coins in mechanisms 1 and 2 combined and total credits in the bill acceptor;"
Renumber: subsequent subsections

19) Page 10, line 8
Following: line 7
Insert: "(a) the terminal shall maintain 3 separate copies in independent, non-volatile memories of all data in subsections (4)(i)(i) through (4)(i)(vi) and any current game data. Two of these independent, non-volatile memories shall be contained in a removable module to allow off-line data recovery;

(b) any time critical data is accessed, there must be a comparison of all 3 independent non-volatile memories. If at any time one copy does not match with the other two, an error must be recorded and the mismatched copy corrected. A system failure must result when none of the 3 match or a detected error cannot be corrected;

(c) access to the area containing the logic board and software must be detected even if access is made with power removed;"
Renumber: subsequent sections

20) Page 10, line 20
Following: "subsection"
Strike: "(4)(a)"
Insert: "(4)(b)"

21) Page 10, line 24
Strike: "25%"
Insert: "15%"

22) Page 11, line 15
Following: "(4)"
Insert: "(a)"
Following: "The"
Insert: "department must deposit two-thirds of the"

23) Page 11, lines 15 and 16
Following: "(3)"
Strike: the remainder of line 15 and line 16 through "deposit"

24) Page 11, line 21
Following: line 20
Insert: (b) The department must deposit the remaining two-thirds of the tax collected under subsection (3) to the treasurer of the county, or the clerk, finance officer, or treasurer of the city or town in which the licensed machine is located, for deposit to the county or municipal treasury. Counties are not entitled to proceeds from taxes on income from video draw poker and keno machines located in cities and towns. The two-thirds local government portion of tax collected under subsection (3) is statutorily appropriated to the department as provided in 17-7-502 for deposit to the county or municipal treasury."
Insert: "Section 10. Section 17-7-502, MCA, is amended to read:
"17-7-502. Statutory appropriation -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.
(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations:

(a) [illegible];
(b) [illegible];
(c) [illegible];
(d) 10-3-203;
(e) 10-3-311;
(f) 10-3-314;
(g) 10-4-301;
(h) 13-37-304;
(i) 15-31-702;
(j) 15-35-[illegible];
(k) 15-70-101;
(l) 16-1-404;
(m) 16-1-410;
(n) 16-1-411;
(o) 17-3-[illegible];
(p) 17-5-404;
(q) 17-5-[illegible];
(r) 17-5-804;
(s) 19-6-504;
(t) 19-9-702;
(u) 19-9-1007;
(v) 19-10-205;
(w) 19-10-305;
(x) 19-10-506;
(y) 19-11-512;
(z) 19-11-513;
(aa) 19-11-606;
(bb) 19-13-301;
(cc) 19-13-604;
(dd) 20-6-406;
(ee) 20-8-111;
(ff) 23-5-612;
(gg) 37-51-501;
(hh) 53-24-206;
(ii) 75-1-1101;
(jj) 75-7-305;
(kk) 80-2-103;
(ll) 80-2-228;
(mm) 90-3-301;
(nn) 90-3-302;

(cc) 90-15-103;
(pp) Sec. 13, HB 561, L. 1985;and
(qq) [section 9].

(6) which is a continuing appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as well, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the costs incurred, but deposits in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have continuing appropriation authority for such payments."

Renumber: subsequent sections

CHAIRMAN--SEN. ALLEN C. KOLSTAD
NORMAL SCHEDULE==> SITE: ROOM 410 DAYS: MON THRU FRI TIME: 10:00 A.M.

SECRETARY-CAROLYN LINDEN

BILL NO	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
HB0771 GLASER, BILL	2/23	3/17	3/17/87 REVISE SURPLUS LINES INSURANCE LAWS	CONCUR AS AMENDED		3/17/87
HB0796 DRISCOLL, JERRY	3/02		 LIMITING HOURS OF PLAY AND NUMBERS OF BINGO MACHINES; CAPPING LICENSE FEES		STATE ADMIN.	
HB0803 CAMPBELL, BUD	3/02	3/09	3/9/87; 3/10/87 REVISE INSURANCE AGENTS LICENSING LAWS	CONCUR		3/10/87
HB0806 PAVLOVICH, BOB	3/02	3/09	3/9/87; 3/10/87 REVISING MONTANA LIFE AND HEALTH GUARANTY ACT	CONCUR AS AMENDED	BUSINESS & LABOR	3/10/87
HB0806 PAVLOVICH, BOB	3/17	3/18	3/18/87; 3/23/87; 3/26/87 REVISING MONTANA LIFE AND HEALTH GUARANTY ACT	CONCUR AS AMENDED		3/26/87
HB0817 GLASER, BILL	3/13	3/20	3/20/87; 3/27/87 INDEPENDENT LIABILITY FUNDS FOR SMALL BUSINESS	CONCUR		3/27/87
HB0823 SQUIRES, CAROLYN	3/02	3/12	3/12/83; 3/16/87 REVISE LAWS RELATING TO DISABILITY INSURANCE	CONCUR AS AMENDED		3/16/87
HB0849 QUILICI, JOE	4/03	4/09	4/9/87 FUNDING FOR MONTANA STATEHOOD CENTENNIAL OFFICE	CONCUR		4/9/87
HB0862 WINSLOW, CAL	4/03	4/08	HEARING CANCELED MONTANA PROGRESSIVE DEVELOPMENT ACT		FINANCE & CLAIMS	
HB0863 WALLIN, NORM	3/25	3/31	3/31/87; 4/8/87; 4/9/87 NET INCOME TAX ON VIDEO POKER AND KENO MACHINES	CONCUR AS AMENDED		4/8/87
HB0905 WINSLOW, CAL	4/03	4/08	4/8/87; 4/9/87 PROMOTE ECONOMIC DEVELOPMENT THROUGH INVESTMENT IN NEW TECHNOLOGY	TABLED		TABLED 4/9/87

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 31, 1987

The forty-third meeting of the Business and Industry Committee was called to order at 10:02 a.m. by Chairman Allen C. Kolstad on Tuesday, March 31, 1987 in Room 410 of the Capitol.

ROLL CALL: All members were present with Sens. Hager and Walker being excused.

CONSIDERATION OF HOUSE BILL NO. 863: Rep. Norm Wallin, House District 78, Bozeman, chief sponsor, said the bill first provides for state licensing of keno machines. Second, it reduces the state license fee to $100 per machine from the present amount of $1500. Third, it imposes a net income tax of 15% on all poker and keno gaming machines.

The bill reduces the maximum local license fee that may be assessed to $100 per machine from $1,000. The bill also provides detailed specifications keno machines must meet in order to be licensed, but does not require machines owned or operated in the state before June 30, 1987 to meet these specifications.

The net income tax on a machine is divided as follows: one-third goes to the state general fund and two-thirds is statutorily appropriated to the locality where the machine is located. If the machine is in a city or town the revenues goes to the city or town; otherwise it goes to the county government. The effective date is June 30, 1987. Rep. Wallin distributed written testimony and proposed amendments to the bill. (EXHIBIT 1)

PROPONENTS: John Poston, Montana Coin Machine Operators Association, gave his explanation of how the business works. He passed out EXHIBIT 2 to the committee for their perusal. The effect on the industry, by this bill, would be that they would go from a licensing fee to a gross proceeds license tax; it is not a net tax at all. He said right now there are 2,978 machines in the state and 87% were owned by people that belong to his association. The other 13% were owned by the taverns themselves. As a general rule this gross proceeds is split 50-50 between the coin operator and the location so in working with the figures you have to do something that no other business has to deal with; that is, work from the gross instead of the net. He said they felt the bill was fair in its original form. The poker machines have been added and he said they did not know what that would do because of the nature of the law. They have no idea how many, how they are operated or where they are operated. He said they had worked with MACo and the League of Cities and Towns to come up with what they felt was fair. He urged passage of the bill in its present form. He asked for the opportunity to study the proposed amendments before they are adopted and expressed his concern about a couple of the amendments. (EXHIBIT 2)

Alec Hansen, Montana League of Cities and Towns, said the poker machine bill has been very good for cities and towns and that the proposed change would increase the revenue that would go to the municipal governments in the state. He said currently, cities receive $950 out of the state license fee and there is the potential of adding another $1,000 on top of that which would be a possible $1950 per machine. However, he stated, few of the cities have taken full advantage of the existing law and the average local fee is about $300 so at the present time they are collecting an average of about $1250 per machine. He also said he didn't know what was going to happen with the keno machines but felt there was a real potential there. They calculated that under this bill there would be $3 to $3.5 million generated for additional revenue for cities and towns and this revenue is desperately needed. He urged the committee to concur in the bill. He also mentioned the other bills that have been introduced that would or could have an effect on this bill. He suggested that the legislature come back in two years and take a look at the keno and poker machine issue and perhaps revise the laws at that time.

Ron Preston, Finance Officer for the City of Missoula, submitted written testimony to the committee, that being letters from himself (EXHIBIT 3) and Larry Anderson, Administrative Assistant Office of the Mayor (EXHIBIT 4), which he read to the committee.

Jim VanArsdale, Mayor, City of Billings, stood in support of HB 863 and said this would bring in additional revenue which is sorely needed. He said they have lost over $1 million in federal revenue sharing and other revenue along the way has also been lost.

Bob Durkee, Montana Tavern Association, said they were in full support of HB 863 as it came out of the House. He said they would resist any attempts to increase the flat fee figures. He said the poker machines have been the salvation of many of the smaller taverns in Montana and some are living off the revenue of the gambling machines. Any drastic increase would put these businesses in jeopardy. He urged the committee to support HB 863 as it came from the House.

OPPONENTS: There were no opponents to HB 863.

DISCUSSION OF HOUSE BILL NO. 863: Chairman Kolstad called for questions from the committee.

Sen. Thayer said he understood Mr. Preston had said 15% of the net rather than the gross. Mr. Preston replied that it would depend on what you would consider that revenue. The total take of the machine would be gross; if you subtract what it pays out you could call it gross or net - the gross total income less the payout - they call it the net take or the machine's actual take.

Chairman Kolstad asked Mr. Durkee how many poker machines were in Montana. Mr. Durkee replied there were 2978.

Sen. Williams asked Mr. Poston what kind of an increase in machines they would anticipate. Mr. Poston said his guess would be up to as many as 500 but not more than that.

Chairman Kolstad questioned Mr. Durkee about the cost of the machines. He responded they were around $3500-4500.

Sen. Weeding asked about the $1650 - where that comes from. Mr. Poston said that is from the Department of Revenue. Mr. Gary Bennett of the Coin Machine Operators Association said that figure was correct - it is the average statewide figure generated by the Department of Revenue. He also said the metering would be the same as they were before; in fact, this imposes that same kind of auditrail and metering system on the keno machines. It is very secure and readily accessible to people in the Department to enforce the law. There is no problem with the newer machines; they operate under this specification. The older machines vary and the metering system is not consistent. Under this law, within two years, they would all have to be consistent and comply.

In answer to a question by Sen. Thayer, Mr. Poston said they have to presume there are no winners to start with. They could play forever and every time they lose they are using an on-average figure so there is never a winner. But, if someone wins the $100 what would happen - he said that is "voodoo" economics, at best.

Sen. Weeding stated that the Department of Revenue said that the poker machines are 100% take because very seldom does anyone take their cash - they just keep playing until it is gone. Mr. Poston said the Department has a mandate from the legislature to examine the source codes.

Chairman Kolstad asked Mr. Poston if it was possible for a layman to change the payout on these machines or how is that accomplished? Mr. Poston said they were set at the factory and the Department checks them to make sure that the chips that control this are sealed in. Chairman Kolstad asked if they are pre-set for every state or does every state have the 80% regulatory payout. Mr. Poston said they were probably set for each individual state.

In answer to a question from Sen. Williams Mr. Hansen said any money from machines inside the incorporated city limits goes to the city; outside the city limits it goes to the county. There is no sharing and no complicated distribution between the two. He said it is very simple and works very well. He said the counties do very well even though the majority of the machines are in the cities.

Sen. Meyer asked if there was language in the bill stating that these machines could be put in restaurants and places other than bars and taverns. Mr. Wallin referred to the amendment that stated anybody with a gaming license and at this time there is no restriction on the number of machines. However, there is a bill introduced which would impose a limit on the machines.

There being no further questions from the committee, Rep. Wallin closed his presentation stating that they were not taking anything away from the tavern operators; they just want to share their take - a 15% share. His closing statement is attached as part of EXHIBIT 1.

Chairman Kolstad asked Rep. Wallin to comment briefly on the proposed amendments. Rep. Wallin replied that one amendment had to do with the $100 which the states keeps. Rep. Wallin said he agreed with that amendment. He also explained that the rest of the amendments had to do with gaming licenses which are different from the tavern licenses - with the tavern license they can put in video poker and with the gaming license they can put in keno. One license does not cover both. He did not support the suggested amendment from Missoula.

The hearing was closed on HB 863.

CONSIDERATION OF HOUSE JOINT RESOLUTION NO. 42: Rep. Vincent, House District 80, Bozeman, sponsor, said the Resolution requests an interim study be made of the effectiveness of the Business Improvement District Act, including the extent of use of the Act and degree of success. The Act was passed by the 1985 legislature for the purposes stated in the whereas portion of the resolution. The resolution also calls for a study of the effectiveness of tax incentives for small businesses.

PROPONENTS: There were none.

OPPONENTS: There were none.

DISCUSSION OF HOUSE JOINT RESOLUTION NO. 42: Chairman Kolstad questioned Rep. Vincent if he thought this could be the tool that could help "Build Montana" become more successful. Rep. Vincent replied that he surely would hope so. Sen. Williams will carry it.

Sen. Williams asked if there were any other resolutions with which this could be incorporated into another study. Rep. Vincent said he did not believe so and thought this was the only one like this at this time.

DISPOSITION OF HOUSE JOINT RESOLUTION NO. 42: Sen. Williams MOVED HJR 42 BE CONCURRED IN, seconded by Sen. McLane. The MOTION CARRIED with Sen. Thayer voting "no".

RECONSIDERATION OF HOUSE BILL NO. 372: Chairman Kolstad asked that the members refer to HB 372 as Kathy Irigoin was present for informational purposes and to answer questions. He pointed out that this was a bill that had been heard previously and they had a hold request on it from the auditor's office. He asked Ms. Irigoin to give her explanation to the committee.

Ms. Irigoin said this bill increases the fees that are paid by insurance companies. She explained the reason for the "hold" was because the Fiscal Note for this bill indicated that the bill would generate approximately $117,000 a year and the House Appropriations Committee had appropriated them that money to purchase three FTE's contingent on passage of this bill. They asked that the committee hold this bill until they determined what happened in the appropriations process. The increase in fees was supported by the industry if the auditor's office does in fact receive the money to get the three FTE's for their office. (EXHIBIT 5)

DISPOSITION OF HOUSE BILL NO. 372: Sen. Weeding MOVED HB 372 BE CONCURRED IN, seconded by Sen. McLane. The MOTION PASSED with Sen. Boylan voting "no". Sen. McLane will carry the bill in the Senate.

RECONSIDERATION OF HOUSE BILL NO. 863: Chairman Kolstad stated that they would have to do more work on HB 863 and assumed that Ms. McCue will get together with the interested parties to develop something that the committee could discuss and will handle this matter at a later date.

RECONSIDERATION OF HOUSE BILL NO. 586: Chairman Kolstad informed the committee that Roger Tippy was present to discuss briefly what happened to the wine bill and the other bills pertaining to this subject. A MOTION TO RECONSIDER HB 586 PASSED UNANIMOUSLY.

Mr. Tippy stated to the committee that there were amendments proposed by the Liquor Division and himself and briefly went through a letter written to the Chairman and committee members. (EXHIBIT 6) The amendments would make the bill a revenue bill without altering its original purpose. The Department of Revenue had informed Rep. Gould there would still be state liquor stores marketing table wine even if HB 623 becomes law. They felt that HB 586 would still be a good policy to allow the State to phase out of the line of business table wine which had not been very lucrative.

DISCUSSION OF HOUSE BILL NO. 586: Sen. Williams said he was a little concerned about the beverage people. He asked Mr. Tippy what it was going to do on 32¢ per liter. Mr. Tippy said the wholesalers, at the present time, pay about 27¢ per liter to the State on all the wine they sell in the bars and grocery stores.

ROLL CALL

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 3/31/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER			✓
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER			✓
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

DATE 3/31/87

COMMITTEE ON Business & Industry

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Dan Bennett	MT Coin Machine Op. Assn	863	X	
Rolly Roger	Gold Nugget	863	X Amend	
[illegible]	MCMOA	863	X	
Randy Apfelberg	D&R Music	863	X	
[illegible]	MTA	863	X	
[illegible]	IT Chris	863		X
Alec Hansen	MLCT	863	X	
[illegible]	City of Missoula	863	X	
Richard C. Manning	Senate Dist 18	863	X	
[illegible]	City of Billings	863		
L.R. Erickson	City of Great Falls	863	X	
Bob Durkee	MTA	863	X	

(Please leave prepared statement with Secretary)

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 3/31/87
BILL NO. HB 863

HB 863

PAGE 1.

HB 863 IS A BILL UNDER WHICH UNITS OF GOVERNMENT WOULD RECEIVE A SHARE OF THE NET INCOME FROM THE PLAY OF VIDEO POKER MACHINES AND KENO MACHINES.

IN 1985, THE LEGISLATURE LEGALIZED THE PLAY OF VIDEO POKER FOR GAMBLING PURPOSES, KENO HAS BEEN LEGAL FOR A MUCH LONGER PERIOD OF TIME. VIDEO POKER IS LICENSED BY THE STATE OF MONTANA WHEREAS KENO MACHINES ARE BEING LICENSED ONLY BY THE LOCAL GOVERNMENT WHERE THEY ARE LOCATED.

THE STATE OF MONTANA PRESENTLY CHARGES AND COLLECTS A LICENSE FEE OF $1500 PER MACHINE FOR VIDEO POKER. $1000 OF THIS AMOUNT GOES TO THE LOCAL GOVERNMENT WHERE THE MACHINE IS LOCATED. $500 OF THE LICENSE IS RETAINED BY THE STATE. BEFORE THE DISTRIBUTION OF THE FEE, THE STATE OF MONTANA RETAINS 5% FOR ADMINISTRATION COSTS. SO, IN ACTUALITY, THE SPLIT HAS BEEN MADE ON THE BASIS OF $1425 PER MACHINE. LOCAL GOVERNMENTS CAN ALSO CHARGE A LOCAL LICENSE FEE OF UP TO $1000 THEY RECEIVE FROM THE STATE FEE.

AS AMENDED, THIS BILL IS QUITE DIFFERENT. IT REDUCES THE STATE LICENSE FEE OF $1500 DOWN TO $100, WHICH IT RETAINS FOR ADMINISTERING THE POLICING OF THE MACHINES. BECAUSE MANY PLACES DO NOT CHARGE LOCAL LICENSE FEES, THIS BILL SETS AS A MAXIMUM $200 ANY LOCAL GOVERNMENT CAN CHARGE PER MACHINE. IF WE ARE GOING TO HAVE GAMBLING IN MONTANA, I THINK THE LOWER FEE WILL ENCOURAGE MANY TAVERNS WITH LITTLE PATRONAGE TO INSTALL THE MACHINES.

THIS BILL NOW PROVIDES THAT 10% OF THE NET FROM EACH MACHINE WOULD GO TO THE LOCAL GOVERNMENT WHERE THE MACHINE IS LOCATED AND 5% WOULD GO TO THE STATE GENERAL FUND. IN THE HOUSE, THE TAVERN OWNERS AGREED TO THIS ARRANGEMENT. WE FELT THAT THIS WAS FAIRER THAN THE HIGH LICENSE FEE BECAUSE THE SPLIT NOW IS GEARD TO THE PROFITABILITY OF THE MACHINES.

THE FISCAL STATEMENT GIVES NO DATA ON KENO MACHINES BECAUSE THE STAIE HAS NOT BEEN INVOLVED IN THE LICENSING OF KENO. HB 863 PROVIDES FOR A $100 LICENSE FEE ON KENO. IT PROVIDES FOR THE SAME SPLIT ON THE NET PROCEEDS OF THE MACHINES -- 10% TO LOCAL GOVERNMENT AND 5% TO THE ~~UNIVERSITY SYSTEM~~ General Fund. THE $100 LICENSE FEE WOULD BE RETAINED BY THE STATE FOR ENFORCING THIS ACT. THE DEPT. OF COMMERCE, BECAUSE OF LEGISLATION WE PASSED EARLIER THIS SESSION, WILL BE THE ENFORCER AND HAVE TOLD US IT WILL COST $100 PER MACHINE.

WHEN THE VIDEO POKER MACHINE BILL WAS PASSED, WE ESTABLISHED VERY FEW RULES. THE LAW PROHIBITS ANYONE UNDER THE AGE OF 18 FROM A PLAY. ONLY LICENSED TAVERNS COULD HAVE THE MACHINES. NO OTHER ESTABLISHMENTS ARE PERMITTED. THE TAVERNS HAVE BECOME THE SOLE BENEFICIARIES. IT IS ENTIRELY DIFFERENT IN NEVADA WHERE SERVICE STATIONS, SMALL MOTELS, GROCERY STORES, ETS., AS WELL AS CASINOS HAVE SLOT MACHINES. OUR PRESENT LAW AUTHORIZES THE TAVERNS TO RETAIN UP TO 20% OF THE MONEY PLAYED IN THE MACHINES WITH A CUSTOMER PAYBACK OF 80%. THAT TOO, IS GENEROUS AS COMPARED TO NEW JERSEY WHERE CASINO TYPE OPERATIONS ARE LEGAL. IN NEW JERSEY, THE MACHINES MUST PAY BACK TO THE CUSTOMER AN AVERAGE OF AT LEAST 83%.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 3-31-87
BILL NO. H.B. 863

IN DOING SOME CALCULATING WITH MONTANA'S LAW, LOOK AT WHAT HAPPENS ON JUST 3 PLAYS ON A VIDEO POKER MACHINE. YOU PLAY $1 AND, ON AVERAGE, YOU GET BACK 80¢. USING THAT 80¢ ON THE SECOND PLAY, YOU LOST ANOTHER 16¢ SO YOUR DOLLAR INVESTMENT HAS SHRUNK TO 64¢. ON THE THIRD PLAY, USING THE REMAINING 64¢, THE 20% TAKE LOSES YOU ANOTHER 13¢ SO IN JUST 3 PLAYS YOU ARE DOWN TO 51 CENTS. THAT'S THE WAY THE MACHINE OPERATES ON AVERAGE.

I INVITE YOU TO LOOK AT THE FISCAL STATEMENT, WHICH WAS PREPARED BEFORE THE BILL WAS AMENDED DOWN FROM A 25% SHARE GOING TO GOVERNMENT TO THE PRESENT 15% SHARE. FOR THE THREE QUARTERS OF 1988 REMAINING AFTER THE EFFECTIVE DATE OF THE BILL, AND THE FULL YEAR OF 1989, THERE IS PROJECTED A TOTAL OF $84,100,500 THE MACHINES GET AFTER THEIR PAYOUTS.

ADOPTING THIS BILL WOULD GIVE THE LOCAL GOVERNMENTS $8,410,052 AND THE STATE GENERAL FUND $4,205,026 FOR THE BIENNIUM. THE TAVERN OWNERS 85% SHARE WOULD LEAVE THEM $71,585,432.

I REALIZE I HAVE TAKEN QUITE A LOT OF TIME ON THIS BILL. IT IS AN IMPORTANT BILL. IT CAN REALLY HELP LOCAL GOVERNMENTS. I HOPE THE GENERAL FUND SHARE CAN GO TO THE UNIVERSITY SYSTEM, AS THIS BILL INTENDED TO DO. BY ADDING IN THE UNKNOWN INCOME FROM KENO MACHINES, THIS CAN REALLY HELP THESE CRITICAL AREAS. THERE ARE LOTS OF BUCKS LEFT FOR THE TAVERN OWNERS AS THEY WOULD KEEP $71,585,432 IN THE 7 QUARTERS THIS IS CALCULATED FOR IN THE COMING BIENNIUM.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 3-31-87
BILL NO. H.B. 863

CLOSE ON HB 863

MR. CHAIRMAN AND COMMITTEE MEMBERS. THANK YOU FOR A GOOD HEARING ON THIS BILL.

I WANT TO TELL THE COMMITTEE WHY I THINK THAT THE STATE OF MONTANA HAS A RIGHT TO TAKE THE KIND OF ACTION PROPOSED IN HB 863. GAMBLING IS A BUSINESS THAT HAS A DIRECT AND INDIRECT EFFECT ON LOTS OF PEOPLE.

THERE IS NO DOUBT IN MY MIND THAT THE COSTS OF PUBLIC WELFARE WHICH HAVE ESCALATED IN MONTANA, IS IN PART DUE TO GAMBLING. WITHOUT THE SPECIFIC ACTION AUTHORIZING VIDEO POKER MACHINES THE LEGISLATURE TOOK IN 1985, TAVERN OWNERS WOULD NOT HAVE THEM NOW. THE MORE THAN $80,000,000 THEY ARE ALREADY GENERATING DID NOT EXIST FOR THEM JUST TWO YEAR'S AGO SO WE ARE NOT TAKING ANYTHING FROM TAVERN OWNERS THEY HAD BEFORE THEN. WE ENTRUSTED VIDEO POKER TO THE TAVERNS, AND TO THEM ALONE, THEREBY CREATING A MONOPOLY. IT IS ONLY PROPER THAN STATE AND LOCAL GOVERNMENTS SHOULD RECEIVE A PIECE OF THAT CAKE.

AGAIN, LOOK AT THE FISCAL STATEMENT. THEY HAVE BEEN PAYING ONLY $1500 LICENSE FEE FOR A MACHINE THAT PRODUCES $16,500 PER MACHINE PER YEAR. I HOPE YOU WILL AGREE TO THE PASSAGE OF THIS BILL WHICH WENT THROUGH THE HOUSE IN ITS PRESENT FORM WITH OVER 90 VOTES.

SENATE BUSINESS & INDUST
EXHIBIT NO. 1
DATE 3-31-87
BILL NO H.B. 863

Amendments to HB 863

1. Page 2, line 8.
Following: "means"
Insert: ": (a) with respect to the licensure of keno machines,"

2. Page 2, line 10.
Following: 23-5-421
Insert: "; and (b) with respect to the licensure of video draw poker machines, an establishement that is licensed to sell alcoholic beverages for consumption on the premises"

3. Page 2, following line 13.
Insert: "or keno machines"

4. Page 3, line 15.
Following: "poker"
Insert: ", bingo or keno"

5. Page 5, line 20 through line 2 on page 6.
Following: "23-5-615." on line 20
Strike: remainder of line 20 through "towns." of line 2 on page 6

6. Page 6, lines 4 through 7.
Following: "prorated." on line 4
Strike: remainder of line 4 through end of line 7

7. Page 15, line 17.
Strike: subsection (ff) in its entirety
Renumber: subsequent subsections

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 2
DATE 3/31/87
BILL NO. 863

3000 machines times 16,500 per machine = 49,500,000

3000 machines times 15% of 16,500 per machine = 7,425,000

	Present Law		HB #863	Keno
State	3000 at $550	1.65	2,775,000	1,236,000
Local Government	3000 at $950	2,450,000	5,275,000	2,172,000 *

* We estimate 3000 machines at an average or $6,240 per year times 15%

MISSOULA FINANCE OFFICE
201 W. SPRUCE • MISSOULA, MT 59802-4297 • (406) 721-4700

FINANCE AND DEBT MANAGEMENT
BUDGET AND ANALYSIS
ACCOUNTING
CITY CLERK
UTILITY BILLING
RISK MANAGEMENT

March 30, 1987

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 3
DATE 3-31-87
BILL NO. HB 863

The Honorable George McCallum
Montana State Senate
Montana State Capitol
Helena MT 59620

RE: REVISIONS TO THE VIDEO POKER MACHINE CONTROL LAW. HB 863

Dear Mr. Chairman:

I am writing this letter in support of revising the video poker machine law from the existing fee system to a system which would impose a minimum fee plus a percentage tax based on net machine income.

The City Council of Missoula has spent a good deal of time listening to the concerns of vending machine distributors and tavern owners and attempting to set video gambling machine fees at an equitable level. The fee system currently in place is too restrictive. Presently the City of Missoula's only option is to impose fees which are too high on some machines and too low on others. The City believes that a license fee should be imposed to establish a minimum fee, and then tax the revenue producing capability of each individual machine.

This method provides a more equitable tax in that the greatest burden is carried by those machines which are most able to pay while allowing lower volume machines to be installed without an exorbitant front end fee which currently is the case with the existing fee system.

If the City of Missoula raised the flat fee under the current system to the level which would adequately tax the average machine in Missoula, many machines would no longer be economically viable to the distributors. A fee plus a percentage tax as proposed in HB 863 would allow the necessary ecomomics on new installations while providing the government a fair share from the established machines.

If the fees were structured to provide a $250 annual license fee for the State of Montana and a like $250 license fee for the local government plus a 15% tax on the net income from each machine an equitable result can be obtained. The 15% tax should be split distributing 25% to the State of Montana and 75% to the local government where the impact occurs. This structure would approximate the current split of total revenues between the City of Missoula and the State of Montana while increasing the total revenues of both the city and the state by approximately 42-45 percent.

Additionally, the structure for fees and percentages of distribution currently proposed in HB 863 will cause a disproportionate share of the future revenues to go to the state causing local government to receive less than one third of the new revenue generated.

The City of Missoula urges your support to amend the video poker machine control law to incluce the above noted changes. This change in the law can be accomplished without harming the video machine industry or imposing an unfair burden on the vendors and tavern owners. This legislation will also provide the revenues to local government consistent with the intent of current legislation.

Sincerely,

Ronald E. Preston
Finance Officer

cc: Senate Taxation Committee
Alec Hanson, League of Cities and Towns
Senator William Farrell
Senator Mike Halligan
Senator Bill Norman
Senator Fred Van Valkenburg

MISSOULA OFFICE OF THE MAYOR
201 W. SPRUCE • MISSOULA, MT 59802-4297 • (406) 721-4700

March 30, 1987

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 4
DATE 3-31-87
BILL NO. HB-863

Honorable George McCallum
Chairman Senate Taxation Committee
State Senate
Capitol
Helena, Montana 59620

Re: Net Income Fees on Video and Keno Machines(HB863)

Dear Senator McCallum:

The City of Missoula is reviewing the proposed legislation to modify the current license fees on video keno and poker machines, which presently provide an income source for local governments.

The existing fee structure in the City of Missoula currently sets the annual license fee for video poker machines at $325.00 per machine. The annual City license fee for video keno machines is $350.00 per machine. This is in addition to the City's portion of the State annual license fee.

The modifications proposed in H.B.863 will reduce the annual license fee to $100.00 per machine for both video poker an keno machines. This modification will address the concerns expressed by local poker machine vendors and tavern owners that current licensing fees are too high. In addition, the proposed legislation will provide the City with approximately two thirds of the proposed net income fee of fifteen percent on each machine. Analysis of this financial impact on the City of Missoula indicates that the revenue generated by H.B.863 will increase slightly the revenue generated under the existing statutes.

Missoula officials are concerned about the impact of H.B.796 on the expected revenues proposed in H.B.863. H.B.796 will limit the hours of play currently allowed for video poker machines. Analysis of poker machine tapes in Missoula indicate that one of the peak periods of play on some video poker machines occurs during the hours of 2-3 AM in establishments which are currently open twenty four hours a day. It seems inconsistent to revise the existing law to reduce fixed license fees and tax net income from these machines and then enact legislation which will reduce the hours of play on these machines, which will in effect reduce net income and hence revenues from net income fees.

AN EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

The City of Missoula would like to propose ammending H.B. 863 to increase the flat fee from $100.00 to $250.00 per machine on video poker and video keno machines to offset the anticipated loss of income incurred by the passage of H.B. 796. The exact extent of the loss of income in unknown at this time.

The City of Missoula urges the Senate taxation committee to ammend H.B. 863 as we are proposing.

Sincerely,

Larry Anderson
Administrative Assistant

cc Members of Senate Taxation Committee
Senator Mike Halligan
Senator William E. Farrell
Senator Bill Norman
Senator Fred Van Valkenburg
Alec Hansen, League of Cities and Towns

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

April 8, 1987

The forty-fourth meeting of the Business and Industry Committee was called to order by Chairman Allen C. Kolstad at 10:00 a.m. on Wednesday, April 8, 1987, in Room 410 of the Capitol.

ROLL CALL: All committee members were present except Sen. Mike Walker who was excused.

EXECUTIVE ACTION ON AND DISCUSSION OF HOUSE BILL NO. 863: Chairman Kolstad requested that Ms. Mary McCue explain the proposed amendments to HB 863. She stated that the amendments were important technical amendments but did not make substantial changes in the bill. Amendments one and two make it clear that the video poker machines are to be placed only in places which are already licensed to sell alcoholic beverages. Amendment three is a technical amendment which inserts into the definition of licensee the language "keno machines" to make it clear that a licensee is someone who has a license for a poker or keno machine. On page three there are the same kinds of technical amendments to make the language consistent. On pages five and six language was inadvertently left in concerning splitting the fee between the State and the locality which should have been taken out because the fee was changed from a percentage to a flat fee. The portion of the sentence that states "the license expires on June 30th of each year" must be retained so that there will be a certain date on which the license expires, making it the only portion remaining from line 20 on page five through line seven on page six. There is no longer a splitting of the fees, as it will now all go to the department for administering this part of the title.

Sen. Thayer asked if the keno and draw poker machines record keeping mechanisms would be the same, or would everyone have to deal with one set of rules for one and a different set of rules for the other. Ms. McCue answered that in Section Eight of the bill, on pages eight and nine, the language for the keno machine is the same as for the poker machines. Sen. Meyer wanted to know if the language on the top of page ten on (i) "total coins accepted by BOTH coin ACCEPTORS" meant that the machines have to have two coin acceptors, and Ms. McCue answered, "Yes." Sen. Meyer wanted to know if perhaps that should be changed since some machines have only one coin acceptor. The question was deferred to Mr. Phil Strope who represents the Montana Tavern Association. He stated

that the language in the bill, which is a grandfather clause, would cover the situations where an older machine had only one coin acceptor and he felt that the industry would prefer to leave it that way. Sen. Thayer wanted to know how the tax would be computed and collected on the grandfathered machines, and Mr. Strope answered that it would be based on the receipts as reported by the operator during the two year life period of the grandfathered machine. Chairman Kolstad wanted to know what the average life is of one of these machines. Mr. Strope deferred to Mr. John Poston who answered that it was difficult to say because there are at least twelve types of machines in use presently and the top of the line ones will probably last four or five years whereas the cheaper ones may last only two or three years. Sen. Thayer asked if they all had meters on them and Mr. Poston stated that to his knowledge they all have meters on them. Sen. Kolstad wanted to know if the meters recorded the number of quarters that go into them, and Mr. Poston answered "Yes." Sen. Neuman wondered if taxing keno machines would proliferate live keno games because they are not taxed and wondered if this bill would be broad enough to include the taxing of live keno as well as the keno machines. Sen. Kolstad deferred the question to Ms. McCue who stated that in her opinion that could not be done because this bill was designed to deal with just machines. Sen. Neuman felt that it was perhaps unfair to tax machine gambling and not live gambling. Sen. Boylan commented that if they were to start that, all types of church bingo games, etc., would have to be taxed. Ms. McCue noted that most other forms of live gambling can be taxed at the option of local government. Sen. Neuman wanted to know what the local governments are doing about live keno games. The question was deferred to Mr. Allen Tandy, Billings, who stated that their local government charges $750 for a license. Sen. Williams asked Ms. Rose Foley if the rules for keno in Jefferson County differ from those of Lewis and Clark County, and she answered that she didn't know about the rules, but she knew that the license fees were all different. Sen. Neuman stated that he would confer with the Legislative Council to see if taxing live keno would fit under the title of this bill and perhaps try to amend it on the floor.

Sen. Meyer made a MOTION to AMEND HB 863 to read that the machines would not be required to have two mechanisms, but could have one or two. The Motion was seconded by Sen. Weeding.

Discussion of Sen. Meyer's proposed amendment: Chairman Kolstad asked Mr. Strope how the industry would feel about the proposed amendment and he stated they would not approve of the amendment because it would be a step backward. Their feeling is that there are definite advantages to having two mechanisims. Sen. Meyer asked Mr. Randy Reger to comment and he stated that of the fifteen or more different makes of keno machines they have looked at, only one brand has two mechanisms. All the others have one. If the law limits the machines in this state to those with two mechanisms, anyone who wants to sell machines within this state has to retool to make the second mechanism. If you want machines with two mechanisms only, it will eliminate all other suppliers to this state, because they will not wish to completely change their production. Sen. Neuman stated that he would speak against the amendment because the people who have most of the machines in the state and most of those working with the machines like the language of the bill as it is. Sen. Meyer felt that having one or two does not make any difference and all that the requirement for two mechanisms does is eliminate competition in the sale of the machines by those companies who produce those with only one mechanism. Sen. Neuman felt that the double mechanism was there to aid in collection of the tax in case there were malfunctions or those types of things. Sen. Weeding wanted to know if the machine would continue to operate if the meter malfunctioned, and Mr. Poston answered "No." Sen. Weeding then asked if the poker machines that were disallowed two years ago could be converted into keno machines and be brought back onto the market, and Mr. Strope answered that it could be done if the two year grandfather clause is left in. A supplier who has a lot of the old style poker machines with a single slot, no printers, they are now unusable on the market, but with Sen. Meyer's amendment, a simple amount of display mechanism can be pulled out and they can be sold and used for another two years as keno machines. For two years they would not need the printers. It would cost about $100 for that change and adding a printer would cost about $750. Sen. Kolstad wanted to know how much the machines now cost and the answer was around $3,000.

The Motion to ADOPT THE AMENDMENT PROPOSED BY SEN. MEYER FAILED with Sen. Thayer and Meyer voting in favor of the Motion and the remaining members voting against it.

Sen. Harry McLane made a Motion that the first set of amendments be adopted. The Motion was seconded by Sen. Paul Boylan and the MOTION PASSED UNANIMOUSLY.

Sen. Thayer noted that he had been contacted by the city of Great Falls and they would like the committee to consider amending the law to allow them to go from 15% to 20% for tax purposes. Sen. Williams stated that if such an amendment were passed, with about a $16,000 average on each machine, it would put the $1,500 up to around $2,200 to $2,300 on each machine at 15%.

A MOTION by Sen. Ted Neuman and seconded by Sen. Bob Williams that HB 863 BE CONCURRED IN AS AMENDED PASSED UNANIMOUSLY.

CONSIDERATION OF HOUSE BILL NO. 905: Rep. Cal Winslow, House District 89, Billings, chief sponsor of this bill explained that another bill, HB 862, calls for funds (approximately $3;000,000 per year) that are intended to flow into the education trust to be used in economic development in the State. Of that, about $900,000 per year will be available for science and technology. HB 906 will address finding out which areas are most in need in Montana by addressing research and development funding to be administered by the science and technology to go back to the Universities to be used in research and development of our basic industry, such as agriculture, transportation, minerals, and timber, etc. Rep. Winslow stated that he had a proposed amentment which would take the appropriations out of HB 905 because there would be a double appropriation if left in because the money for this is now placed in HB 2. If this bill were not to pass, and HB 862 passed, science and technology would get $900,000 more. If HB 862 were to fail, the coordinating clause is in here that HB 905 fails also. Rep. Winslow noted that every state that he has seen which has shown some economic development has also increased their research and development at the university level.

PROPONENTS: Ms. Kay Foster, Billings, representing the Billings Area Chamber of Commerce in support of HB 905 stated that during the past Fall they had a 16 member Economic Transition Task Force appointed by the Governor, and one of the primary recommendations made by the group was that Montana must strengthen and expand the role of education in economic development. She quoted from their report, and stated that the thrust of their recommendation

ROLL CALL

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 4/8/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER	✓		
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER			✓
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

DATE 4/8/87

COMMITTEE ON Business & Industry

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Don Ingels	Mt. Chamber of Commerce	905	X	
Kay Foster	Belgr Chamber of Commerce	905	X	
Chester B. Bullock	M.T.A.	863	X	
Rosalee Bullock	Silver Saddle	863	X	
Carroll Krause	Comm. of H.R.D.	905	X	
Helga Eck	City of Billings	905		
Barbara Keogh	" " "	905	Amend	
John F. Patton	Helena rest	905	X	
John [illegible]	Video Poker	863	—	
Jon Meredith	Dept. of Revenue	863	—	
Steve Huntington	Dept. of Commerce	905	—	
Tom Bennett	Coin Machine Op.	863	X	
Phil Strope	Mt Tavern Ass	863	X	
Marvin E. Durkee	" " "	863	X	
Bob Durkee	" " "	863	X	
Alec Hansen	MLCT	863	✓	

(Please leave prepared statement with Secretary)

STANDING COMMITTEE REPORT

APRIL 8, 19 87

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 363

THIRD reading copy (BLUE color)

WALLIN (NEUMAN)

NET INCOME TAX ON VIDEO POKER MACHINES

Respectfully report as follows: That HOUSE BILL No. 363 be amended as follows:

1. Page 2, line 8.
Following: "means"
Insert: ":
(a) with respect to the licensure of keno machines,"

2. Page 2, line 10.
Following: "23-5-421"
Insert: "; and
(b) with respect to the licensure of video draw poker machines, an establishment that is licensed to sell alcoholic beverages for consumption on the premises"

3. Page 2, following line 13.
Insert: "or keno machines"

4. Page 3, line 13.
Following: "poker"
Insert: "or keno"

5. Page 3, line 15.
Following: "poker"
Insert: ", bingo, or keno"

~~DO PASS~~

~~DO NOT PASS~~

(CONTINUED)

SENATOR ALLEN C. KOLSTAD, Chairman.

APRIL 9, 19 87

6. Page 5, line 20 through line 2 on page 6.
Following: "23-5-615." on line 20
Strike: remainder of line 20 through "towns." on line 2 of page 6

7. Page 6, lines 3 through 7.
Following: "year" on line 3
Insert: "."
Strike: remainder of line 3 through end of line 7

8. Page 15, line 17.
Strike: subsection (ff) in its entirety
Renumber: subsequent subsections

Amendments, HB 863
9098a/C:JEANNE\WP:jj

AND AS AMENDED,

BE CONCURRED IN

SENATOR ALLEN C. KOLSTAD, CHAIRMAN

ROLL CALL

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 4/9/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN			✓
PAUL BOYLAN			✓
TOM HAGER			✓
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER	✓		
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

STATEMENT OF INTENT FOR HOUSE BILL NO. 863: It was noted by the Committee Researcher, Mary McCue and Committee Secretary, Carolyn Linden that HB 863 required a Statement of Intent which was not adopted when the bill was introduced in the House or when it was heard and then Concurred In by this committee on April 8, 1987. Ms. McCue presented a Statement of Intent which she had prepared. It was reviewed by the committee at this meeting and discussed. Sen. Darryl Meyer made a MOTION THAT THE STATEMENT OF INTENT FOR HOUSE BILL 863 BE ADOPTED. The MOTION was seconded by Sen. Harry McLane and PASSED UNANIMOUSLY. (EXHIBIT 4)

Chairman Kolstad announced that there were no further meetings scheduled for this committee but that a special meeting would be called to reconsider HB 905 if necessary.

The meeting was adjourned by Chairman Kolstad at 10:54 a.m.

Allen C. Kolstad

SENATOR ALLEN C. KOLSTAD, CHAIRMAN

cl

SENATE BUSINESS & INDUS
EXHIBIT NO. 4
DATE 4/9/87
BILL NO. HB 863

STANDING COMMITTEE REPORT

APRIL 8, 19 87

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 863

THIRD reading copy (BLUE color)

WALLIN (NEUMAN)

NET INCOME TAX ON VIDEO POKER MACHINES

Respectfully report as follows: That HOUSE BILL No. 863

be amended as follows:

1. Page 2, line 8.
Following: "means"
Insert: ":
(a) with respect to the licensure of keno machines,"

2. Page 2, line 10.
Following: "23-5-421"
Insert: "; and
(b) with respect to the licensure of video draw poker machines, an establishment that is licensed to sell alcoholic beverages for consumption on the premises"

3. Page 2, following line 13.
Insert: "or keno machines"

4. Page 3, line 13.
Following: "poker"
Insert: "or keno"

5. Page 3, line 15.
Following: "poker"
Insert: ", bingo, or keno"

~~DONE~~

~~DO NOT PASS~~

(CONTINUED)

SENATOR ALLEN C. KOLSTAD, Chairman.

APRIL 8, 19 87

6. Page 5, line 20 through line 2 on page 6.
Following: "23-5-615." on line 20
Strike: remainder of line 20 through "towns." on line 2 of page 6

7. Page 6, lines 3 through 7.
Following: "year" on line 3
Insert: "."
Strike: remainder of line 3 through end of line 7

8. Page 15, line 17.
Strike: subsection (ff) in its entirety
Renumber: subsequent subsections

Amendments, HB 863
9098a/C:JEANNE\WP:jj

SENATE BUSINESS & INDUST
EXHIBIT NO 4
DATE 4/9/87
BILL NO HB 863

AND AS AMENDED,

BE CONCURRED IN

STATEMENT OF INTENT ADOPTED AND ATTACHED

SENATOR ALLEN C. KOLSTAD, CHAIRMAN

April 9 19 87

SENATE BUSINESS & INDUS
EXHIBIT NO. 4
DATE 4/9/87
BILL NO. HB863

MR. PRESIDENT:

WE, YOUR COMMITTEE ON BUSINESS AND INDUSTRY HAVING HAD UNDER CONSIDERATION HOUSE BILL NO. 863, ATTACH THE FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT
HOUSE BILL NO. 863

A statement of intent is required for this bill because section 3 gives the department the authority to adopt rules concerning the administration of the video draw poker and keno machine net income tax.

In promulgating rules the department should consider the procedures and policies of other states that have instituted a similar net income tax on video gaming machines. The rules should provide an orderly and efficient method for inspection by the department of licensee records and of collecting the tax.